County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
http://ceo.lacounty.gov

WILLIAM T FUJIOKA
Chief Executive Officer

February 22, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON SEQUESTRATION SPENDING REDUCTIONS

This memorandum is to update the Board on across-the-board sequestration spending reductions for Federal Fiscal Year (FFY) 2013, which are scheduled to be imposed on March 1, 2013 pursuant to the Budget Control Act (BCA) of 2012, as amended by the "fiscal cliff" relief bill (Public Law 112-240), which was enacted on January 2, 2013.

Public Law 112-240 amended the BCA to delay the imposition sequestration cuts for two months and reduce FFY 2013 sequestration cuts by $24 billion, from $109.3 billion to $85.3 billion. The Office of Management and Budget has not yet announced the revised percentage cuts for non-exempt programs. However, the Congressional Budget Office estimates that FFY 2013 spending cuts for non-exempt programs will drop from 8.2% to 5.3% for non-defense discretionary spending, 7.6% to 5.8% for non-defense mandatory spending, 9.4% to 7.9% for defense discretionary spending, and 10.0% to 7.8% for defense mandatory spending.

Potential Impacts of FFY 2013 Sequestration Cuts on the County

The overall net impact on total Federal revenue to the County is likely to be small - less than one percent of the County's total Federal revenue. This is because the County receives most of its Federal revenue through low-income mandatory programs which are exempt from sequestration cuts, including Medicaid, Temporary Assistance for Needy Families (TANF), Title IV-E Foster Care and Adoption Assistance, Supplemental Nutrition Assistance Program (SNAP), and Child Support Enforcement. Other programs of County interest which are exempt from sequestration cuts include surface transportation programs funded from the Highway Trust Fund, the Airport Improvement Program, the Independent Living Program, and child care entitlement mandatory and matching funding.

While the overall impact of FFY 2013 sequestration cuts on the County would be relatively small, three departments would be more significantly affected because they receive a significant amount of Federal revenue through non-defense discretionary programs which would be subject to the roughly 5.3% across-the-board reduction:

- Community Development Commission: Community Development Block Grant, Public Housing, Section 8 Housing, HOME Investment Partnerships (HOME) Program;
- Community and Senior Services: Workforce Investment Act and Older Americans Act programs; and
- Public Health: Ryan White AIDS Emergency Assistance, Public Health Emergency Preparedness, HIV/AIDS Core Prevention and Surveillance, Tuberculosis Control, Infectious Disease, and other public health programs, including those funded from the Prevention and Public Health Fund.

The ultimate fiscal impact of FFY 2013 sequestration cuts on the County cannot be determined at this time because none of the 12 FFY 2013 appropriations bills, which fund discretionary programs, have been enacted. Instead, all discretionary programs are being temporarily funded under a Continuing Resolution (CR) through March 27, 2013. Federal departments will not announce FFY 2013 grant awards until after FFY 2013 appropriations are finalized. Moreover, when Congress finalizes FFY 2013 appropriations, it can offset the impact of sequestration cuts on any program by appropriating an equal amount of increased funds. However, unless current law is amended to increase the overall discretionary spending caps, increased funding for some programs must be offset by cuts in other programs.

Status of Legislative Efforts to Avert Sequestration Cuts

Since the 113th Session of Congress convened in January 2013, there has not been any movement of legislation to avert sequestration cuts. This is largely because the Obama Administration and Congressional Democrats support replacing sequestration cuts with a combination of alternative spending reductions and tax increases while Congressional Republicans oppose any tax increase. Congress is out on recess this week, and it appears extremely unlikely that an alternative to sequestration spending cuts will be enacted before they are scheduled to take effect on March 1, 2013. However, it is possible that the sequestration cuts could be averted or mitigated later in March when Congress decides how to finalize FFY 2013 appropriations.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist